Essays on International Finance and Macroeconomics(Digest_要約)

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Abstract

This thesis aims to investigate several economic issues in the field of international finance and macroeconomics and attempts to apply theoretical and empirical techniques to explore economic mechanisms and macroeconomic implications behind these economic phenomena.

In Chapter 2, we focus on the hot money issue aroused by the enormous stock of foreign exchange reserves in China. This subject is worth exploring because these abnormal amounts of foreign exchange assets have been suspected to result from the crowding international speculative capital, so-called "hot money," which is considered to target the expected excess returns from Renminbi (RMB) appreciation. Enlightened by China's case, we investigate whether higher expected excess returns from local currency appreciation accounts for the inflow of international speculative capital. Based on the "return-chasing" hypothesis developed by Bohn and Tesar (1996), we take the undervaluation index as a proxy for the expected excess returns on currency and explore its relationship with international speculative capital by using large-sample panel data. To overcome the bias due to the endogenous problem, we adopt the System Generalized Method of Moments to conduct estimation. Finally, we find that when controlling for the country-specific, time-variant economic environments, there is a significant return-chasing effect between movements of expected currency excess returns and hot money.

After providing empirical evidence for why abnormal financial flows in the foreign sector occurred, in Chapter 3, we begin to think seriously about the macroeconomic effects of the perturbation that originated in the financial sectors. Following Jermann and Quadrini (2012), we apply the dynamic stochastic general equilibrium (DSGE) modeling method to assess whether financial shocks matter for the Japanese economy. We construct time series of financial shocks and productivity shocks using Japan's quarterly data since 2001 and conduct simultaneous replication on major indicators of aggregate financial flows and real variables. Preliminary results tell that in a closed economy, financial shocks seem less important than they were in the U.S. economy. However, after extending the original model to a small open economy in which firms can borrow from overseas lenders but may have to pay a default risk premium on interest payments, simulated results show that financial shocks have contributed heavily to the dynamics of aggregate debt and dividend flows. By contrast, however, productivity shocks seem to have been dominant in accounting for fluctuations of real variables, such as output, consumption ratio, and investment ratio in Japan.

Chapter 3 demonstrates that productivity shocks still play an important role in Japan's business cycles. Since the small open economy model has limitations for excluding external shocks from abroad, in Chapter 4, we decide to perform a deeper quantitative investigation regarding the role of productivity and financial shocks to the macroeconomies in a theoretically enriched model. Concretely speaking, we develop a simple two-country model featuring an international bond market and enforcement constraints within both countries in an attempt to quantify the role of productivity and financial shocks. The main results were as follows. First, for both the US and Japan, productivity shocks account for most real variable dynamics such as output and investment, while financial shocks well capture the trend of consumption, current account, and labor trends in the US and succeed in replicating Japan's debt repurchase behavior. Nevertheless, it is noteworthy that financial shocks served as key factors in accounting for the observed troughs of output, labor, and consumption, as well as the peaks of debt repurchase and the US current account during the 2007-09 financial crises. Second, it is surprising that observable international spillover effect appeared only in Japan's debt repurchases.